

EXHIBIT A



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Section 1.15 Limitation of Claims Based on Unauthorized Entries

Except as provided in this Section 1.15, an RDFI shall not initiate a lawsuit, claim, action, or proceeding against an ODFI for a violation, breach of warranty, or indemnity under the Rules with respect to an allegation that an Entry was unauthorized if it has been (a) more than two years after the Settlement Date of an Entry to a Consumer Account, or (b) more than one year after the Settlement Date of an Entry to a Non-Consumer Account. This Section 1.15 does not prohibit an RDFI from initiating a lawsuit, claim, action, or proceeding against an ODFI for an alleged breach of warranty, as defined in Subsection 2.4.1.1 (The Entry is Authorized by the Originator and Receiver), or indemnity therefore pursuant to Subsection 2.4.5.1 (Indemnity for Breach of Warranty), with respect to allegedly unauthorized debit Entries to a Consumer Account that settle within 95 calendar days of the Settlement Date of the first such unauthorized Entry to the Consumer's Account.

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Section 2.4 General Warranties and Liabilities of Originating Depository Financial Institutions

Subsection 2.4.1 General ODFI Warranties

An ODFI Transmitting an Entry warrants the following to each RDFI and ACH Operator in connection with such Entry at the time of the Entry's Transmission by or on behalf of the ODFI, unless another effective time frame is provided in this Subsection 2.4.1.

Subsection 2.4.1.1 The Entry Is Authorized by the Originator and Receiver

(a) The Entry has been properly authorized by the Originator and the Receiver in accordance with these Rules.

(b) The Originator's authorization has not been revoked, the Origination Agreements concerning the Entry have not been terminated, and neither the ODFI, any Third-Party Sender, nor the Originator has actual knowledge of the revocation of the Receiver's authorization or of the termination of the agreement between the RDFI and the Receiver concerning the Entry.

(c) At the time the Entry is processed by an RDFI, the authorization for that Entry has not been terminated, in whole or in part, by operation of law. This Subsection 2.4.1.1(c) shall not apply if the RDFI has actual knowledge of the circumstances giving rise to such termination at the time it processes the Entry and the ODFI does not have such actual knowledge.

The ODFI's warranties regarding authorization, as defined in this Subsection 2.4.1.1, do not apply to credit Entries where both the Originator and Receiver are natural Persons.

Subsection 2.4.1.2 The Entry Complies with the Rules

The Entry complies with these Rules, including the use of the proper Standard Entry Class Code.

Subsection 2.4.1.3 The Entry Is Not Transmitted on Behalf of a Suspended Originator or Third-Party Sender

The Entry is not Transmitted on behalf of any Originator or Third-Party Sender that the ODFI has been directed to suspend or that appears on a list of suspended Originators and Third-Party Senders issued by the National Association from time to time, in each case in accordance with Appendix Nine, Subpart 9.4.7.6 (Suspension and Appeal).

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Subsection 2.4.1.4 The Entry Contains Required Information

The Entry contains the Receiver's correct account number and all other information necessary to enable the RDFI to comply with the requirements of Subsection 3.1.5 (RDFI Obligation to Provide Information about Entries), except for information within the purview of the RDFI's relationship with the Receiver. All information Transmitted with the Entry is related to the payment represented by the Entry.

Subsection 2.4.1.5 Credit Entry Is Timely

The credit Entry is timely.

Subsection 2.4.1.6 Debit Entry Satisfies an Obligation, Corrects an Error, or Reclaims an Amount Received after Death or Legal Incapacity

The debit Entry is:

- (a) for an amount that will be due and owing to the Originator from the Receiver on the Settlement Date;
- (b) for a sum specified by the Receiver to be paid to the Originator;
- (c) to correct a previous credit Entry that was an Erroneous Entry, or
- (d) to reclaim from an RDFI an amount received by a recipient after death or legal incapacity of the recipient or the death of a beneficiary.

SUBSECTION 2.4.1.7 Secure Transmission of Banking Information

Banking information for the Entry is Transmitted in compliance with the requirements of Section 1.7 (Secure Transmission of ACH Information Via Unsecured Electronic Networks).

Subsection 2.4.2 Exceptions to ODFI Warranties for Entries Originated Using Corrected Data from Notification of Change

An ODFI that relies on the information contained within the Corrected Data field of a Notification of Change Entry or Corrected Notification of Change Entry makes no warranty under Subsections 2.4.1.2 (The Entry Complies with the Rules) and 2.4.1.4 (The Entry Contains Required Information) with respect to the corrected information in subsequent Entries.

Subsection 2.4.3 ODFI Warranties Do Not Apply to Goods or Services

The warranties contained within Subsection 2.4.1 (General ODFI Warranties) and the requirements of Subsection 2.3.1 (General Rule – Originator Must Obtain Authorization from Receiver) do not apply to the goods or services to which the Entry relates.

Subsection 2.4.4 ODFI Warranties for Entries Through Its Sending Points

An ODFI using a Sending Point to Transmit Entries to an ACH Operator shall be deemed to have made the warranties of Subsection 2.4.1 (General ODFI Warranties) for each Entry containing the ODFI's routing number that is Transmitted by the Sending Point, regardless of whether the Sending Point was authorized by the ODFI to Transmit the Entry.

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Subsection 2.4.5 General Indemnity by ODFI

Subsection 2.4.5.1 Indemnity for Breach of Warranty

An ODFI shall indemnify every RDFI and ACH Operator from and against any and all claims, demands, losses, liabilities, and expenses, including attorneys' fees and costs, that result directly or indirectly from (a) the breach of any warranty made to such party by the ODFI under these Rules, or (b) the debiting or crediting of an Entry to a Receiver's account in accordance with the terms of the Entry, including any claims, demands, losses, liabilities, or expenses, and/or attorneys' fees and costs that result, either directly or indirectly, from the return of one or more items or Entries of the Receiver due to insufficient funds caused by a debit Entry.

Subsection 2.4.5.2 Indemnity for Failure to Comply with Regulation E

An ODFI shall indemnify every RDFI and ACH Operator from and against any claims, demands, losses, liabilities, or expenses, including attorneys' fees and costs, based on the ground that the failure of the ODFI to comply with any provision of these Rules resulted, either directly or indirectly, in the violation by an RDFI of the Federal Electronic Fund Transfer Act or Federal Reserve Board Regulation E.



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Section 2.12 Return Entries

Subsection 2.12.1 ODFI Acceptance of Timely Return Entries and Extended Return Entries

An ODFI must accept Return Entries and Extended Return Entries that comply with these Rules and that are Transmitted by the RDFI within the time limits established by these Rules.

Subsection 2.12.2 ODFI Request for Return

An ODFI may, orally or in writing, request an RDFI to return an Erroneous Entry, or a credit Entry originated without the authorization of the Originator, that was initiated by the ODFI. The RDFI may, but is not obligated to, comply with this request. For purposes of this subsection, an Erroneous Entry has the same meaning as in Section 2.9 (Reversing Entries).

Subsection 2.12.3 Indemnification by ODFI for Requested Returns

An ODFI requesting that an RDFI return an Erroneous Entry, or a credit Entry originated without the authorization of the Originator, indemnifies the RDFI from and against any and all claims, demands, losses, liabilities and expenses, including attorneys' fees and costs, resulting directly or indirectly from compliance by the RDFI with such request.

Subsection 2.12.4 Reinitiation of Returned Entries

SUBSECTION 2.12.4.1 General Rule for Reinitiated Entries

An Originator or ODFI may Reinitiate an Entry, other than an RCK Entry, that was previously returned, only if:

- (a) the Entry was returned for insufficient or uncollected funds;
- (b) the Entry was Returned for stopped payment and Reinitiation has been separately authorized by the Receiver after the Originator or ODFI receives the Return Entry; or
- (c) the Originator or ODFI has taken corrective action to remedy the reason for the return.

The Originator or ODFI must Reinitiate the Entry within 180 days after the Settlement Date of the original Entry. An Originator or ODFI may Reinitiate an Entry that has been returned for insufficient or uncollected funds a maximum of two times following the Return of the original Entry.

An Originator or ODFI may Reinitiate an RCK Entry that was previously returned if:
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(d) the RCK Entry has been returned for insufficient or uncollected funds; and

(e) the item to which the RCK Entry relates has been presented no more than one time through the check collection system (as a Check, substitute check, or image) and no more than one time as an RCK Entry.

A debit Entry will not be treated as a Reinitiated Entry if:

(f) the debit Entry is one in a series of preauthorized, recurring debit Entries and is not contingent upon whether an earlier debit Entry in the recurring series has been Returned;

(g) the Originator obtains a new authorization for the debit Entry after it receives the original Return Entry;

(h) the debit Entry is initiated to the Receiver's correct account following the return of a previous Entry using Return Reason Code R03 (No Account/Unable to Locate Account) or R04 (Invalid Account Number Structure); or

(i) the debit Entry is initiated to the Receiver's account following the return of a previous Entry using Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization), and the error or defect in the previous Entry has been corrected to conform to the terms of the original authorization, in accordance with the requirements of Subsection 2.12.5 (Correction of Entries Returned as R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization)).

SUBSECTION 2.12.4.2 Formatting Requirements for Reinitiated Entries

An Originator or ODFI must submit Reinitiated Entries as a separate batch that contains the word "RETRY PYMT" in the Company Entry Description field of the Company/Batch Header Record. For any Reinitiated Entry, the description "RETRY PYMT" must replace the original content of the Company Entry Description field transmitted in the original Entry, including content otherwise required by these Rules.

The contents of the Company Name, Company Identification, and Amount fields of the Reinitiated Entry must be identical to the contents of the original Entry. The contents of other fields should be modified only as necessary to correct an error or facilitate proper processing of the Reinitiated Entry.

SUBSECTION 2.12.4.3 Improper Reinitiation Practices

All of the following will be treated as improper Reinitiation practices that do not meet the requirements of Subsection 2.12.4.1 (General Rule for Reinitiated Entries):

(a) Following the Return of an Entry, initiating an Entry to the same Receiver in an amount greater than the amount of the previously Returned Entry in payment or fulfillment of the same underlying obligation plus an additional fee or charge.

(b) Following the Return of an Entry, initiating one or more Entries to the same Receiver in an amount(s) less than the original Entry in payment or fulfillment of a portion of the same underlying obligation.

(c) Reinitiating any Entry that was Returned as unauthorized.

(d) Initiating any other Entry that the National Association reasonably believes represents an attempted evasion of the limitations on Reinitiation.

SUBSECTION 2.12.5 Correction of Entries Returned as R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization)

An Originator that has received a Return Entry using Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization) may correct, if possible, the error or defect in the original Entry and Transmit a new Entry that conforms to the terms of the original authorization, without the need for re-authorization by the Receiver. The Originator must Transmit the new Entry within 60 days after the Settlement Date of the Return Entry.

The following errors causing the return of the original Entry as R11 cannot be corrected by the Originator, and transmission of a new Entry in these cases is prohibited:

- (a) the Originator did not provide the required notice for an ARC, BOC, or POP Entry prior to accepting the check, or the notice did not conform to the requirements of these rules;
- (b) the source document for an ARC, BOC, or POP Entry was ineligible for conversion; or
- (c) the Reversing Entry or Reversing File was improperly initiated, as defined by Subsection 3.12.2.4 (Improperly-Initiated Reversal).

Subsection 2.12.6 Dishonor of Return Entries

Subsection 2.12.6.1 Dishonor of Return by ODFI

An ODFI may dishonor a Return Entry, with the exception of an IAT Return Entry, if:

- (a) the RDFI failed to return the Entry within the time limits established by these Rules;
- (b) information in one or more of the following fields of the Return Entry is incorrect or missing:
 - (i) DFI Account Number;
 - (ii) Original Entry Trace Number;
 - (iii) Amount;
 - (iv) Individual Identification Number/Identification Number;
 - (v) Transaction Code;
 - (vi) Company Identification Number;
 - (vii) Effective Entry Date;
- (c) the Return Entry was misrouted;
- (d) the Return Entry was a duplicate;
- (e) the Return Entry is coded as the Return of an Erroneous Entry at the request of the ODFI, as permitted by Subsection 2.12.2 (ODFI Request for Return), but the ODFI did not make such a request;
- (f) the Return Entry is coded as a permissible Return Entry, as permitted by Subsection 3.8.3.5 (Late Return Entries for CCD or CTX Entries with ODFI Agreement), but the ODFI did not agree to accept the Return Entry;
- (g) the Return Entry would result in an unintended credit to the Receiver because (1) the Return Entry relates to a debit Erroneous Entry, (2) the ODFI has already originated a credit Reversing Entry to correct the Erroneous Entry, and (3) the ODFI has not received a Return of that credit Reversing Entry; or

(h) the Return Entry would result in an unintended credit to the Receiver because (1) the Return Entry relates to a debit Reversing Entry that was intended to correct a credit Erroneous Entry, and (2) the ODFI has not received a Return of that credit Erroneous Entry.

To dishonor a Return Entry, the ODFI must Transmit a dishonored Return Entry complying with Appendix Four (Return Entries) to its ACH Operator within five Banking Days after the Settlement Date of the Return Entry.

SUBSECTION 2.12.6.2 Specific Warranties for Dishonored Return Relating to Reversals

(a) An ODFI dishonoring the Return of a debit Erroneous Entry in accordance with Subsection 2.12.6.1(g) (Dishonor of Return by ODFI) warrants that the ODFI Transmitted a credit Reversing Entry to correct such debit Erroneous Entry and that the ODFI has not received a Return of that Reversing Entry from the RDFI.

(b) An ODFI dishonoring the Return of a debit Reversing Entry in accordance with Subsection 2.12.6.1(h) (Dishonor of Return by ODFI) warrants that such Reversing Entry was intended to correct a corresponding credit Erroneous Entry and that the ODFI has not received a Return of the credit Erroneous Entry from the RDFI.

Subsection 2.12.6.3 ODFI Must Accept a Contested Dishonored Return Entry

An ODFI must accept a contested dishonored Return Entry (i.e., an Entry rejecting the ODFI's dishonor of the Return Entry). Any further action regarding a contested dishonored Return Entry must be pursued outside of the ACH Network.

Subsection 2.12.7 Discretion to Accept Late Returns

An ODFI may agree to accept a late Return Entry at its discretion.



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Section 3.8 RDFI's Right to Transmit Return Entries

An RDFI may return an Entry for any reason, except as otherwise provided for in Subsection 3.8.1 (Restrictions on RDFI's Right to Transmit Return Entries). An RDFI must comply with the requirements of Appendix Four (Return Entries) for each Return Entry it initiates.

An RDFI must Transmit a Return Entry to its ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day following the Settlement Date of the original Entry, except as otherwise provided in Subsection 3.8.3 (Exceptions to Timing Requirements for Return Entries) and Section 3.13 (RDFI Right to Transmit Extended Return Entries). A Return Entry that is rejected by an ACH Operator does not satisfy or extend the timing requirements contained in this Section 3.8.

Subsection 3.8.1 Restrictions on RDFI's Right to Transmit Return Entries

Subsection 3.8.1.1 RDFI May Not Return an Entry Due to the Type of Entry

An RDFI may not return an Entry because it is a particular type of Entry, unless expressly provided for in Subsection 3.8.2 (Exceptions to Restrictions on RDFI's Right to Transmit Return Entries).

Subsection 3.8.1.2 RDFI May Not Return an Entry Based on MICR Data

An RDFI may not return an Entry to a Transaction Account based exclusively on data that were accurately obtained from the on-us field of the MICR line of a Check for the account, unless the RDFI had previously initiated a Notification of Change that was not properly acted upon.

Subsection 3.8.2 Exceptions to Restrictions on RDFI's Right to Transmit Return Entries

An RDFI may return:

- (a) an XCK Entry for any reason; and
- (b) any Entry received (including a Prenotification) that concerns any account that is not a Transaction Account maintained with that RDFI.

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Subsection 3.8.3 Exceptions to Timing Requirements for Return Entries

Subsection 3.8.3.1 Timing Requirements of Return of Credit Entry Subject to Article 4A

An RDFI must Transmit a Return Entry relating to a credit Entry subject to Article 4A to its ACH Operator prior to the time the RDFI accepts the credit Entry as provided for under Article 4A, unless:

- (a) the Receiver of the Entry does not have an account with the RDFI;
- (b) the Receiver's account has been closed; or
- (c) the RDFI is not permitted by Legal Requirements to receive credits for the Receiver's account.

Subsection 3.8.3.2 Timing Requirements for Credit Entries Declined by Receiver

An RDFI must return any credit Entry that is declined by a Receiver unless (i) there are insufficient funds available to satisfy the Return, including due to any third party lien or security interest; (ii) the return is prohibited by Legal Requirements; or (iii) the RDFI itself has a claim against the proceeds of the credit Entry, including by offset, lien, or security interest. The RDFI must Transmit any such Return Entry to its ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day following the RDFI's receipt of notification from the Receiver that it has declined the Entry.

Subsection 3.8.3.3 Timing Requirements for Return of RCK Entries

An RDFI must Transmit a Return Entry relating to an RCK Entry to its ACH Operator by midnight of the RDFI's second Banking Day following the Banking Day of the receipt of the RCK Entry.

Subsection 3.8.3.4 Timing Requirements for Return of XCK Entries

An RDFI must Transmit a Return Entry relating to an XCK Entry to its ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the Banking Day following the sixtieth calendar day following the Settlement Date of the XCK Entry.

Subsection 3.8.3.5 Late Return Entries for CCD or CTX Entries with ODFI Agreement

If an RDFI receives written notification from a Receiver that a CCD or CTX Entry that was debited to the Receiver's account was, in whole or in part, not authorized by the Receiver, the RDFI may Transmit a Return Entry to the ODFI after the time for return has expired, provided that the ODFI agrees, either verbally or in writing, to accept the late Return Entry. The Return Entry must be in the amount of the debit Entry and must otherwise comply with the requirements of this Section 3.8 and Appendix Four (Return Entries).

Subsection 3.8.4 RDFI Must Return Unposted Credit Entries

An RDFI must return all credit Entries that are not credited or otherwise made available to its Receivers' accounts. The RDFI must Transmit such a Return Entry to its ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day

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Subsection 3.8.5 Receipt of Dishonored Returns

Subsection 3.8.5.1 RDFI May Correct Dishonored Returns

An RDFI may Transmit a corrected Return Entry to its ACH Operator for any Return Entry that was dishonored by the ODFI (as permitted under Subsection 2.12.6.1(b) (Dishonor of Return by ODFI)) because information contained in one or more fields of the Return Entry is incorrect or missing. The RDFI must include the dishonored Return information received from the ODFI in the dishonored Return Entry and must ensure the corrected Return Entry otherwise complies with the requirements of Appendix Four (Return Entries). The RDFI must Transmit the corrected Return Entry to its ACH Operator within two Banking Days after the Settlement Date of the dishonored Return Entry.

Subsection 3.8.5.2 RDFI May Contest Dishonored Returns

An RDFI may Transmit a contested dishonored Return Entry that corresponds to the reason for the dishonored Return Entry if:

- (a) the original Return Entry was, in fact, returned within the time limits established by these Rules;
- (b) the original Return Entry was not a duplicate Entry;
- (c) the original Return Entry was complete and contained no errors;
- (d) the dishonored Return Entry was misrouted or untimely;
- (e) the dishonored Return Entry relates to an Erroneous Entry or a related Reversing Entry, both of which were previously returned by the RDFI; or
- (f) the funds relating to the R62 dishonored Return Entry are not recoverable from the Receiver (for use ONLY with dishonored Returns R62 – Return of Erroneous or Reversing Debit).

The RDFI must Transmit a contested dishonored Return Entry to the ACH Operator within two Banking Days after the Settlement Date of the dishonored Return Entry and must ensure the contested dishonored Return Entry otherwise complies with the requirements of Appendix Four (Return Entries).



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Section 3.13 RDFI Right to Transmit Extended Return Entries

Subsection 3.13.1 RDFI May Transmit Extended Return Entries

An RDFI may Transmit an Extended Return Entry with respect to any debit Entry for which it recredits a Receiver's account in accordance with Section 3.11 (RDFI Obligation to Recredit Receiver), provided that:

- (a) no error was made by the RDFI in the debiting of the original Entry to the Receiver's account, except with respect to a stop payment order; and
- (b) the RDFI Transmits the Extended Return Entry to its ACH Operator by its deposit deadline for the Extended Return Entry to be made available to the ODFI no later than the opening of business on the Banking Day following the sixtieth calendar day following the Settlement Date of the original Entry.

The Extended Return Entry must comply with the requirements of Appendix Four (Return Entries).

Subsection 3.13.2 RDFI Warranty for Extended Return Entries

In addition to the other warranties contained in these Rules, an RDFI Transmitting an Extended Return Entry in accordance with this Section 3.13 warrants to each ODFI, ACH Operator, and Gateway that, prior to initiating the Extended Return Entry, the RDFI obtained from the Receiver a Written Statement of Unauthorized Debit complying with Section 3.12 (Written Statement of Unauthorized Debit). This

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Subsection 3.13.2 does not apply to Extended Return Entries related to an RDFI's recredit obligation in Subsection 3.11.2.2 (RDFI Obligation to Recredit for ARC, BOC, and RCK Entries Regarding Stop Payment Orders).

Subsection 3.13.3 Indemnity of RDFI for Breach of Extended Return Entries Warranty

An RDFI shall indemnify every ODFI, ACH Operator, and Gateway from and against any and all claims, demands, losses, liabilities, or expenses, including attorneys' fees and costs, resulting directly or indirectly from the breach of the warranty contained in Subsection 3.13.2 (RDFI Warranty for Extended Return Entries).



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New Rule Defines Time Limit for Claims of Unauthorized Entries

One basic tenet of the Nacha Operating Rules is that an Originating Depository Financial Institution (ODFI) assumes responsibility for many warranties and indemnifications to each Receiving Depository Financial Institution (RDFI) and ACH Operator. Until now, the Nacha Rules did not put a time limit on claims based on those warranties and indemnities. As a result, breach of warranty claims could be brought as long as permitted by statute of limitations, which vary from state-to-state.

On June 30, 2021, that changes as the Limitation on Warranty Claims Rule becomes effective for the ACH Network.

This Rule establishes specific time periods for RDFIs to make claims based on unauthorized entries and brings the ACH Network in line with other payment systems that have time limits.

According to Jeanette Hait Blanco, Nacha General Counsel, the new Rule provides distinct time periods for two basic types of entries. For an entry to a non-consumer account, the RDFI can make a claim based on an unauthorized entry against the ODFI for one year from the settlement day. For an entry to a consumer account, the time limit is two years. In addition, for an entry to a consumer account, a second time period applies allowing an RDFI may make a claim to the ODFI for entries made within the first 95 calendar days from the settlement date of the first unauthorized entry, even if the entry(ies) settled more than two years ago. This allows RDFIs to make claims against ODFIs for any claims that they might have responsibility for under Regulation E.

Blanco said the Rule was adopted to provide ODFIs and ACH Originators with greater certainty about their liability under the Nacha Rules when originating ACH debits.

For example, if a consumer claims there are five years of monthly, unauthorized transactions, the RDFI would be able to make a breach of warranty against the ODFI for only the entries that settled within the last two years, plus any entries that settled within the first 95 days of the first unauthorized entry.

This is simply a limit on when an RDFI can make claims of unauthorized entries to the ODFI under the Nacha Rules, and that the Rule does not address any procedures RDFIs or ODFIs use to determine what claims they will or won't pay. Blanco said Nacha suggests that banks and credit unions consult their legal counsel to see what this

means for their own internal procedures.

To learn more about the new Rule effective June 30, 2021, visit the Limitation on Warranty Claims page on Nacha.org. (/rules/limitation-warranty-claims)